

September 1997

TO: Mayors/Boards of Selectmen, City Councils, Managers, Finance Directors,
Accountants/Auditors, Treasurers, Assessors and Finance Committees

FROM: Joseph J. Chessey, Jr., Deputy Commissioner
Division of Local Services

SUBJECT: Additional Lottery Aid and other Issues Affecting FY98 Budgets

1. Additional Lottery Aid

With the enactment of Chapter 88 of the Acts of 1997, the Legislature and the Governor recently approved a \$20 million supplemental appropriation for lottery aid. This additional aid represents an estimate of the excess FY97 lottery aid that will be available after the final reconciliation of FY97 actual lottery revenue growth. The additional aid will be distributed to municipalities in one payment within the next week. If actual lottery growth for FY97 is greater than or less than the \$20 million estimate, adjustments will be made in the second quarterly state aid distribution.

The additional FY97 lottery revenues may be used in any one of the following ways:

- Applied as estimated receipts when setting the FY98 tax rate,
- Appropriated as an available fund during FY98, or
- Closed to fund balance (free cash) at the end of FY98.

2. Increased Veterans' Exemptions and State Reimbursements

Chapter 88 also amends the various clauses in Chapter 59, Section 5 that provide for property tax exemptions for disabled and decorated veterans (and their spouses or surviving spouses). Specifically, the exemptions in Clause 22 (a-f) and Clauses 22A, 22B, 22C, 22D and 22E were increased by \$75. In addition, state reimbursements for these exemptions were increased by \$75. The Division will issue revisions to the FY98 Cherry Sheet estimates to

reflect these increased reimbursements shortly. Local officials should be aware, however, that a corresponding increase in the FY98 overlay amount may be necessary to accommodate these increased exemptions.

We will send additional information to local assessors regarding revisions to the reporting and reimbursement process in the coming weeks.

3. FY98 Police Career Incentive Appropriation Increased

Chapter 88 also increases funding for the FY98 Police Career Incentive account, line B-6 on the Cherry Sheet. The additional appropriation fully funds this account for FY98 and will also be included in the Cherry Sheet revisions. The revised Cherry Sheet totals should be used by local assessors when completing the Tax Rate Recapitulation form.

4. Change in the Department of Education's School Finance Regulations

The Department of Education (DOE) has issued new school finance and accountability regulations effective as of August 15, 1997. Local officials should be aware that DOE has revised these regulations to include the tuition of state wards reimbursement (Line A-5 on the Cherry Sheet) and the reimbursement to above foundation districts for charter school tuitions as general fund school revenues. When determining compliance with net school spending requirements, DOE will reduce reported school district spending by these general fund school revenues. To determine net school spending in FY98, the FY97 actual reimbursement for the tuition of state wards (to be paid in late September of 1997), not the FY98 Cherry Sheet estimate, will be applied as a general fund school revenue. These changes may require supplemental appropriations to school budgets to meet FY98 school spending requirements.